2008 Northwest Physicians' Best Practice Survey Executive Summary

Commissioned By:

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2008 Healthcare Best Practices Survey – Executive Summary

Project Introduction

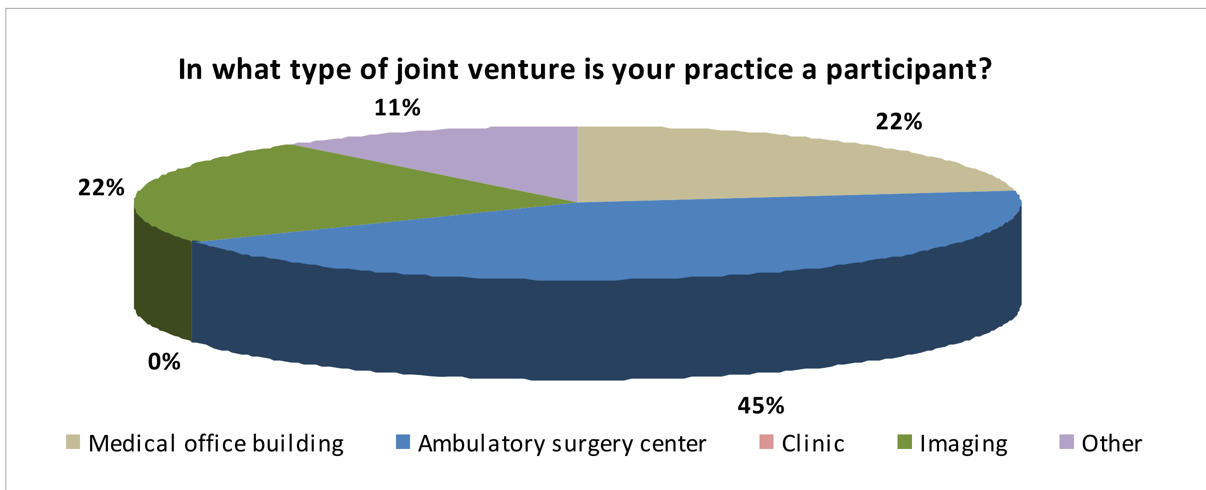
The Schwabe – AKT 2008 Healthcare Best Practices Survey is the second annual survey, designed to garner best-practices of small- to mid-sized physician practices in the Northwest. As with the 2007 survey, Schwabe – AKT contracted Portland-based business intelligence firm Knowledge Wave International. This year, 53 physician practices participated in the survey through either a web-based or paper questionnaire. This 2008 survey reports data collected from October 2007 through January 2008.

The survey covers five areas of practice management: Joint Ventures, Physician-Hospital Relations, Medical Directors, On-Call Pay, and Electronic Health Records. The questionnaire consisted of a maximum 32 questions, depending on a respondent's answers.

We hope that this survey will provide some perspective on these and other issues facing medical clinics. If you have questions, comments, or topics you would like to see addressed in the next survey, please do not hesitate to let us know.

Joint Ventures

Eighty-three percent of respondents *do not* participate in any joint ventures with any hospital. This is consistent with the 2007 study. Of those who do participate in hospital joint ventures, 45% of the ventures are ambulatory surgery centers, followed by medical office building and imaging center ownership at 22% each.



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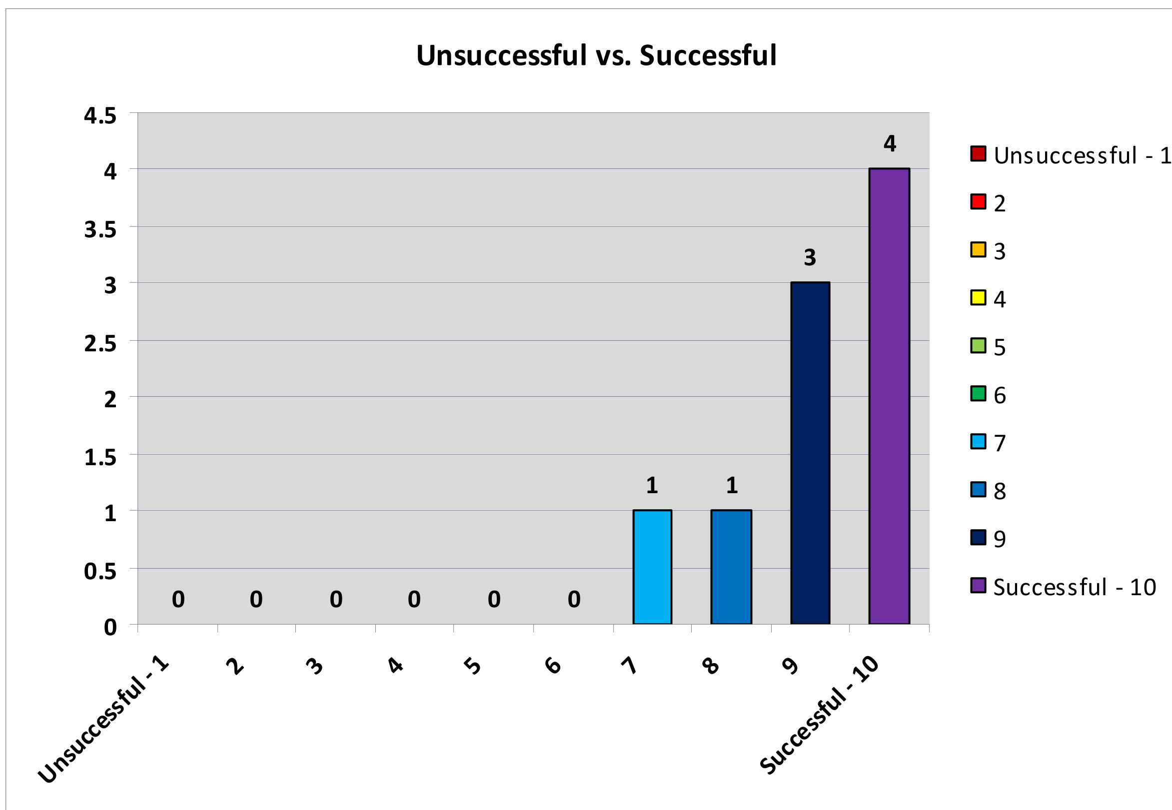
On average, practices that participated in a joint venture with a hospital found the venture to be both a *collaborative* endeavor (7.2 on a 10-point scale) and *successful* (9.1 on a 10-point scale).



Things to Consider:
One of the hallmarks of a lasting business is the understanding that you don't need to own every segment of your operation to be successful and that there are some areas where a joint venture with the right party can utilize the best strengths and skills of each to create a stronger and financially robust operation. Successful partnerships with hospitals can provide a clinic with a steady source of income, better patient care and a more efficient practice. Common types of joint ventures include medical directorships, real estate ventures, imaging and laboratory but can also include things like pain management, holistic health and wellness and sleep centers. In our experience, hospitals and hospital systems continue to want to work with physician practices in creating joint ventures. While such alignments can create a host of regulatory and tax issues, structured properly, they work. As such, continue to be receptive to overtures from the hospitals and healthcare systems in areas your serve. In addition, savvy clinics put themselves in front of opportunities by serving on hospital committees, volunteering for panels and reaching out to hospital administrators.

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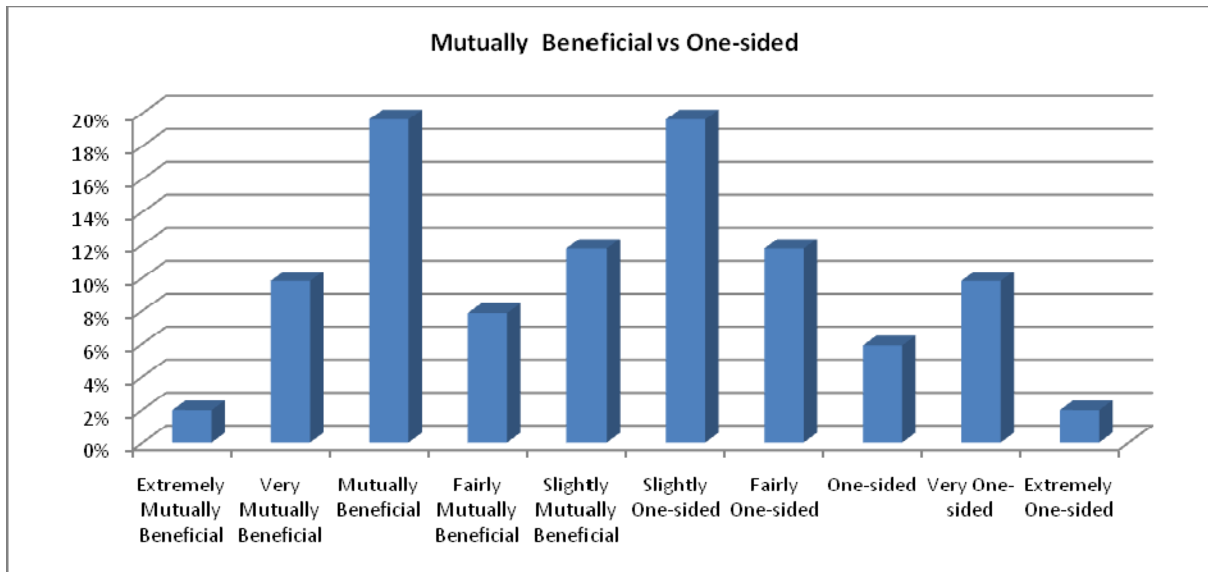
Physician – Hospital Relations

This year, 33% of practices describe their relationship with the hospital as mutually beneficial, up from 25% last year. Twenty percent describe the relationship as one-sided, up from only 4% last year.



Sixty-seven percent of respondents describe hospital administrators as "collaborative problem solvers." However, when asked how well administrators understand their practice's needs, the average rating was only 5.3 on a 10-point scale.

Sixty percent of practices report being in an adversarial situation with their hospital within the past two years.

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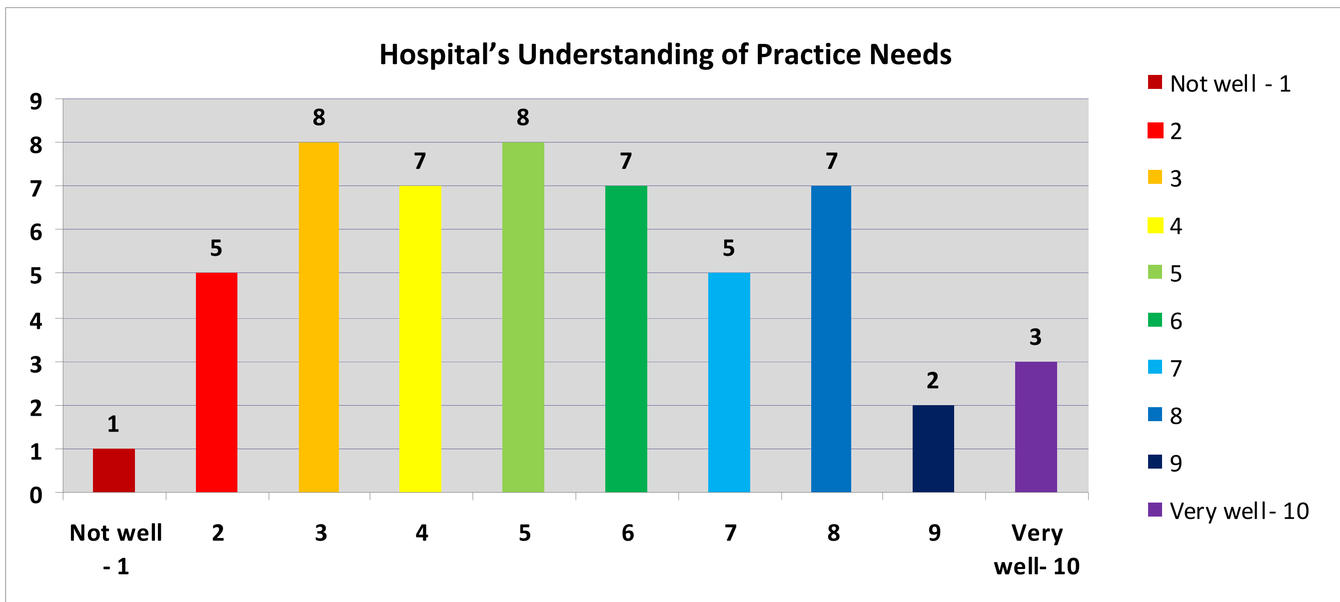
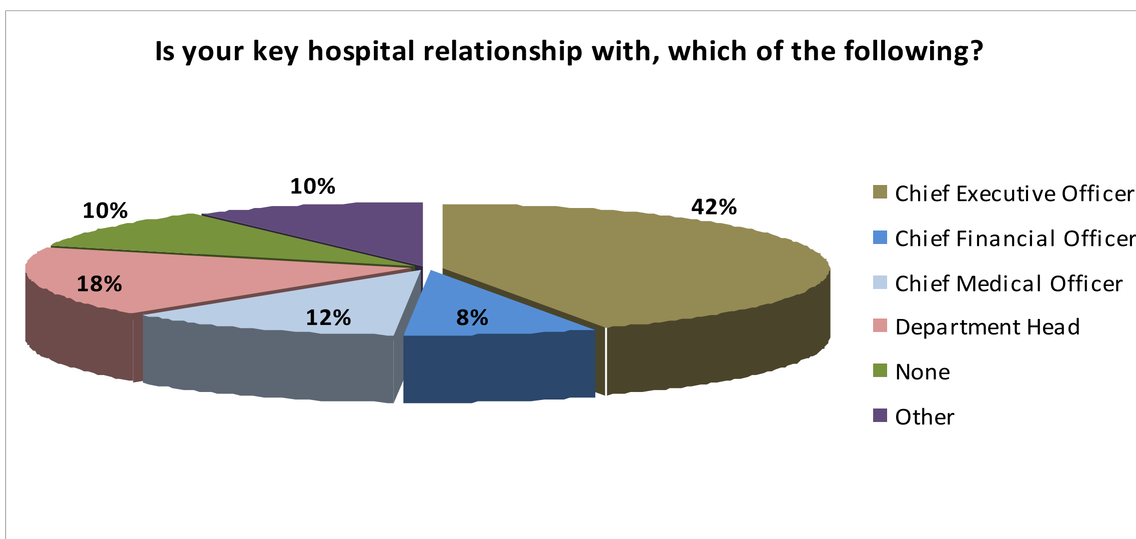
Practices that had been in an adversarial situation rated the hospital administrator's understanding of his or her practice significantly lower than those that had not had that situation. Respondents rated the hospital's understanding of their practice's needs at an average of 54%.



Forty-two percent of practices report that their primary relationship with the hospital is with the Chief Executive Officer, followed by a department head (18%) and Chief Medical Officer (12%).



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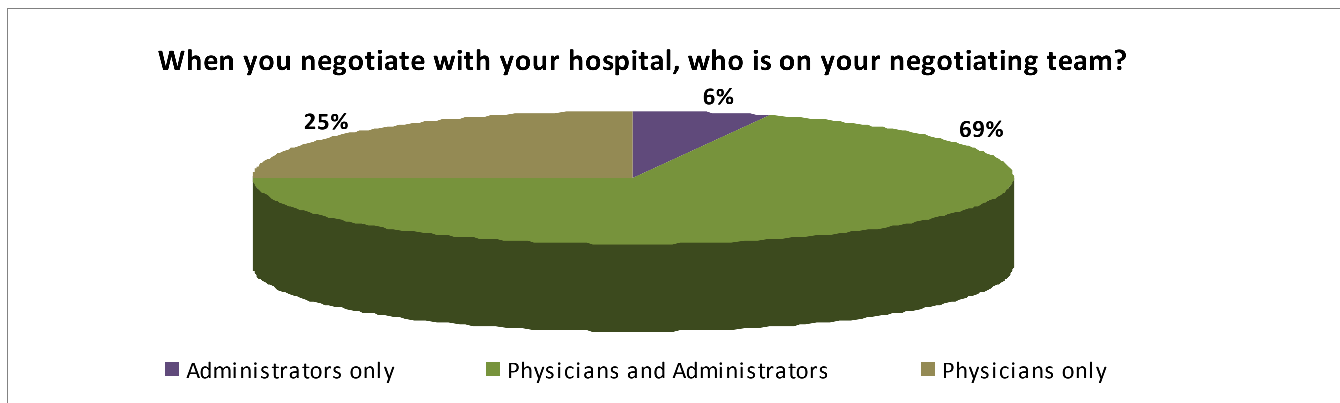
When asked to rate the level of influence different stakeholders have on the group's practice in the hospital, patients by far are rated the strongest influence, with Medical Executive Committee the weakest.

Respondents rated the Medical Executive Committee at 5.12 on a 10-point scale in advocacy for the interests of the practice.

Stakeholder	Average Influence (10 = *very influential*)
Patients	6.75
Other physicians	6.58
Hospital administrators	6.02
Insurance payers	5.94
Hospital nursing staff	5.79
Medical staff committee officers	5.12

Sixty-nine percent of respondents indicate that when negotiations occur between practices and the hospital, physicians and practice administrators both play a role in the negotiation.



Things to Consider:

A common theme of successful practices is the presence of an open and direct relationship with their local hospital or system administration. Don't leave this to chance. Make sure that your clinic is fully engaged in developing and maintaining strong relationships. In assessing the strength of your relationships, review both your physician as well administrator relationships. For large clinics, this includes department heads, finance officers and nursing administrators. Also, if applicable, make sure that you are spending adequate time with the competing hospital or healthcare system. While a clinic's physicians may only refer to a particular hospital occasionally, having good relations with that hospital as a "backup" can be critical. If no relationships exist, look for opportunities to serve on committees, quality review boards or even foundation boards. And remember that any relationship takes time and energy to develop. Don't expect immediate results from a one-time meeting.

Medical Directors

Sixty-six percent of practices say that one or more of their physicians act as a Medical Director for a hospital or other healthcare facility, the same percentage as in the 2007 study.

The majority of these practices (63%) indicate that any compensation for acting as a Medical Director is contributed directly to the practice's overall revenue (down from 75% last year), regardless of whether the physician receives production credit for time spent as Medical Director.

Fifty-one percent of responding practices provide insurance to cover medical directorships. This is down from last year's 60%.

Things to Consider:

Properly crafted medical director agreements will set out duties and record keeping requirements in significant detail. One element that should be clearly addressed is the amount of professional liability insurance required and whether it is to be provided by the hospital or the physician's practice.

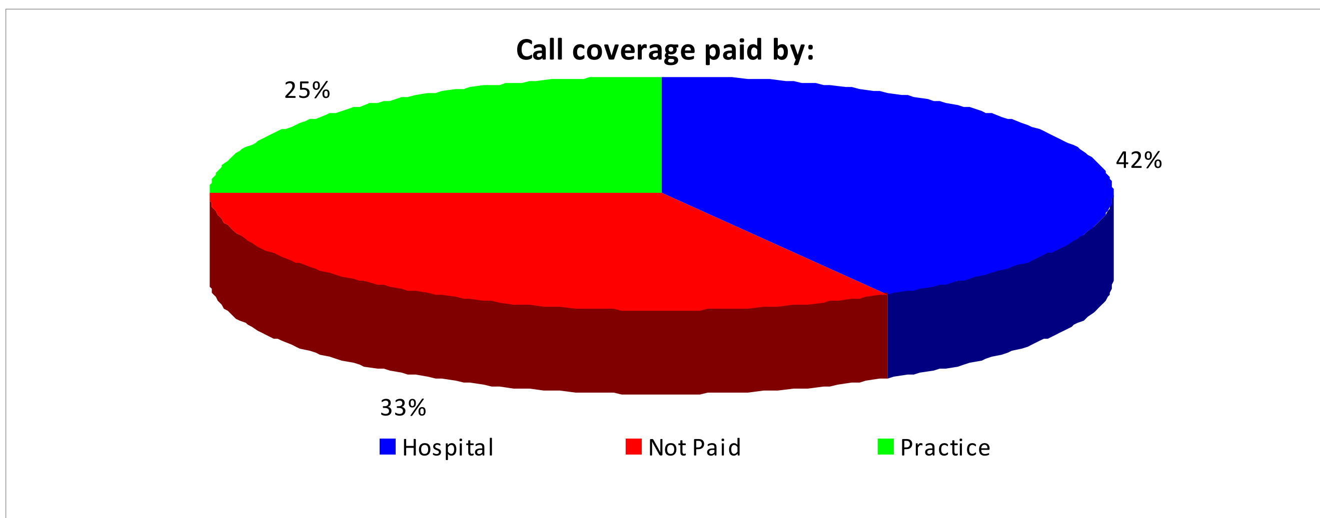
For existing medical directorships, expiration/renewal dates should be checked and due consideration should be given on to whether the hourly rate still reflects the value of the physician's time contribution. Rates paid cannot exceed the fair market value of the services provided.

On-Call Pay

Ninety-two percent of all practices report that their physicians provide call coverage for a hospital.

Seventy-nine percent of those who do provide call coverage report that call duty is equally distributed among physicians. Thirty-one percent say that call obligations are an impediment when hiring physicians for their practice.

Forty-two percent of respondents indicate that the hospital pays its physicians for call, while 25% of the practices pay their physicians for taking call.



<u>Things to Consider</u>:

In cases where the hospital pays for call duty, the amount paid should be backed up with national survey data comparisons to help ensure that amounts paid are consistent with fair market value, helping to avoid the specter of Stark and Anti-Kickback law concerns.

Your employment agreements should explicitly set out the expectations concerning a physician's call responsibilities. For example, the agreement should state the frequency of call duty, the amount paid for taking call duty, and what procedures must be undertaken to get paid.

Consider including the ability to impose sanctions on physicians that fail to fulfill their call obligations. This provides more options than merely terminating the physician.

Electronic Health Record

Seventy-four percent of respondents indicate that their practices are currently connected to a hospital's electronic health record system and 10% of those say that they pay for that connection. Only 6% report that cost precludes connection to an electronic health record system.

Seven percent of respondents say that in the past year they have had an incident that caused them to be concerned about a breach of electronic security. Seventy-two percent say that they have a plan for addressing any such potential breach.

Things to Consider:

Be mindful of the federal Anti-kickback and Stark safe harbors that restrict the assistance medical practices may receive from hospitals in implementing EHR systems. Simple access to an Internet portal is fine, but donations of hardware are strictly prohibited. Practices must pay a portion of the cost of software.

HIPAA is not the only consideration when considering responses to security breaches. An increasing number of state laws prescribe notification and other requirements when consumers' personal information is disclosed. Be sure you are compliant with applicable state requirements as well as federal law.

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